

CardWatch

By Matthew J. Murphy

The Fed's unexpected move to lower the federal funds rate between meetings comes as a general decline in consumer credit quality begins to take hold. According to Fitch's latest Credit Card Performance Indexes, for just the second time since March 2000 chargeoffs increased on a month-to-month comparison, a trend that will likely continue given ongoing rising delinquencies. While Fitch believes that chargeoffs will continue to trend above 5% through first-half 2001, excess spread should remain healthy while holding above that level as well. In addition, credit card asset-backed investors can continue to take comfort in high monthly payment rate performance.

Chargeoffs Spike

The latest Fitch Credit Card Performance Indexes, covering the October collection period, showed a significant increase in chargeoffs, while all other key variables displayed improvement. Monthly payment rates (MPRs) and portfolio yield benefited from more collection days in the period, which contained five Mondays.

Chargeoffs registered a 26-basis point increase to 5.20%, the highest one-month increase since December 1999's 21-basis point increase. On a positive note, this level remains below year-earlier performance of 5.28% and extends the string of consecutive year-over-year improvements to 29 months. Overall, Fitch expects this number to linger in the 5.25%–5.50% range as we enter into 2001. This is in large part due to the rising delinquency trend, whose index (60 days or more) increased 17 basis points to 3.15%, its highest level since March 2000. The issuers experiencing the biggest increases include Chase, First USA, and Provident. The only trust registering improved performance was the Associates Credit Card Master Note Trust.

MPRs and Yields Recover

As expected due to the increase in collection days from the prior month, MPRs and portfolio yields rebounded from their significant drops last month, with the MPR index rising to 16.10%, compared to year-earlier performance of 16.29%. Although Fitch expects the volatility of this variable to remain, strong performance is expected to continue as a slowing economy could lead to more card convenience usage. The increase in the chargeoff index was more than offset by the significant increase in the

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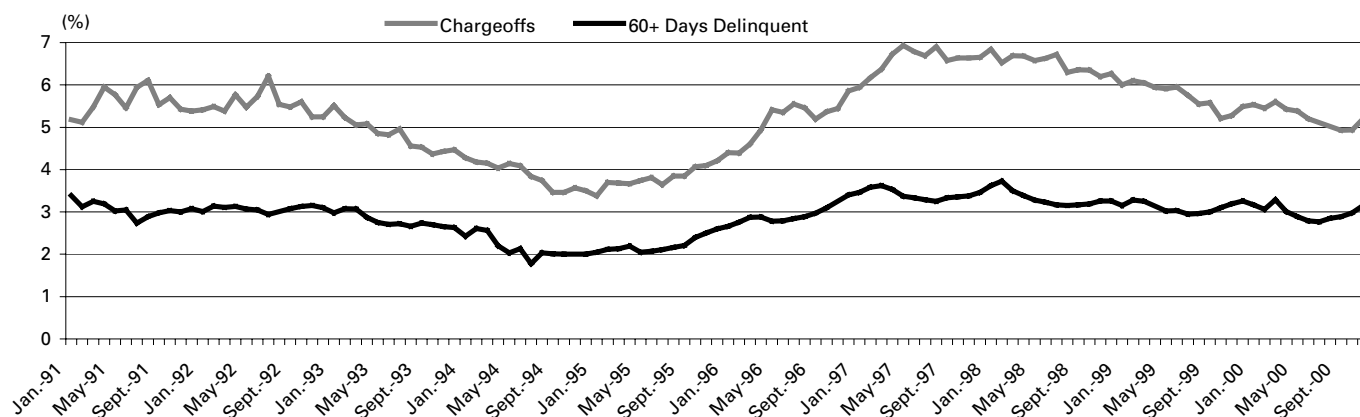
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Fitch-Rated Card Deals — November 2000

	Class A	Class B
Capital One CCMT, Series 2000-5		
Amount (\$ Mil.)	1,015.63	125.00
Coupon (%)	1mL + 0.100	1mL + 0.375
C/E (%)	18.75	8.75
Payout	Soft Bullet	Soft Bullet
Expected Maturity	October 2003	October 2003
WAL (Years)	Three	Three
Rating	'AAA'	'A'
Citibank CCIT, Citiseries Class 2000-A2		
Reopen Amount (\$ Mil.)	750.00	—
Post-Reopen Amount (\$ Mil.)	3,000.00	—
Coupon (%)	3mL – 0.05	—
C/E (%)	12.25	—
Payout	Soft Bullet	—
Expected Maturity	November 2003	—
WAL (Years)	Three	—
Rating	'AAA'	—

1mL – One-month London Interbank Offered Rate (LIBOR).
C/E – Credit enhancement. WAL – Weighted average life.
3mL – Three-month LIBOR.

Fitch Credit Card Chargeoff Index



yield index to 19.99%, its highest level since April 1999. Fitch expects the yield index to remain in the mid-19% range as issuers reprice those risky segments of their portfolios to brace themselves for the envisioned economic slowdown.

Fitch's excess spread index tacked on an additional nine basis points, advancing to 5.50%. Excess spread, defined as trust income (portfolio yield) less expenses (bond coupons, servicing, and chargeoffs), has now remained above 5% for the last 24 months. Capital One, First Chicago, and Household Affinity exhibited the strongest excess spread performance for the month

Fitch's indexes are compiled by calculating the weighted average annualized gross yield, total MPR, principal chargeoff rate, and three-month excess spread for the top general purpose, private label, and retail credit card issuers. The indexes track the performance of more than \$310 billion in credit card receivables backing more than \$217 billion in credit card asset-backed securities.

Consumer Vitals

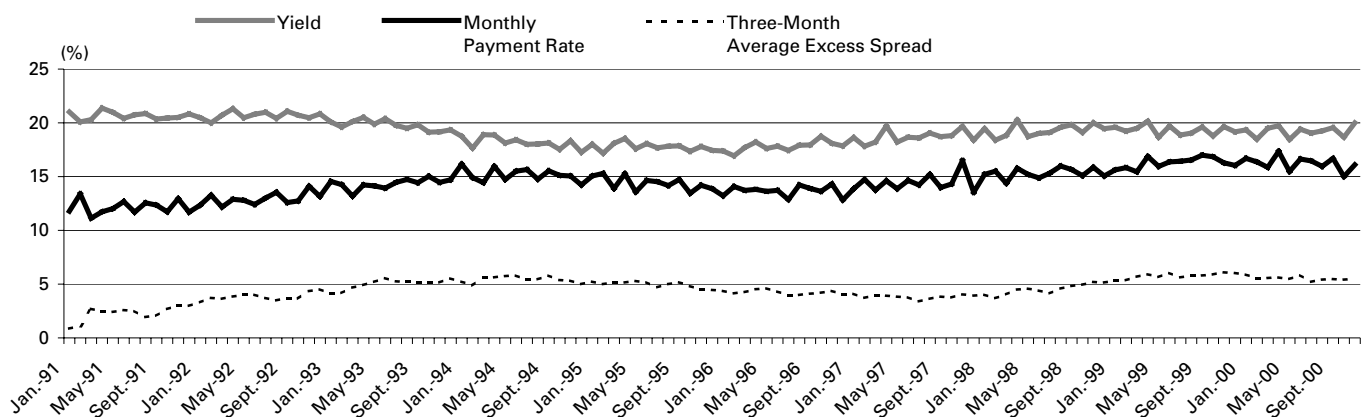
- Personal bankruptcy filings totaled 99,386 in November, bringing the year-to-date tally to 1,116,671. For the year, filings are running 3.24% below that for the same period in 1999 or in line with Fitch's expectation that 2000 totals will be 3%–5% below 1999's result.
- President Clinton left the Bankruptcy Reform Act of 2000 unsigned, a pocket veto, citing that it was unfair to ordinary debtors and working families that fall on hard times. By waiting until the lame-duck congressional session adjourned before vetoing it, he deprived lawmakers of the chance to override the veto.
- Personal income and consumption grew by 0.04% and 0.03%, respectively, in November. However, the savings rate posted its fourth decrease, at negative 0.08%, in the last five months indicating that consumers continue to finance their spending predominantly through borrowing.
- Initial unemployment claims continue to creep upward, rising to 354,000 in the most recent period, their highest level in more than two years and continuing claims climbed in step indicating softening of the labor force. The four-week moving average of initial claims has breached the 340,000 level after trending below 300,000 for much of the past year.

Fitch-Rated Card Deals — November 2000

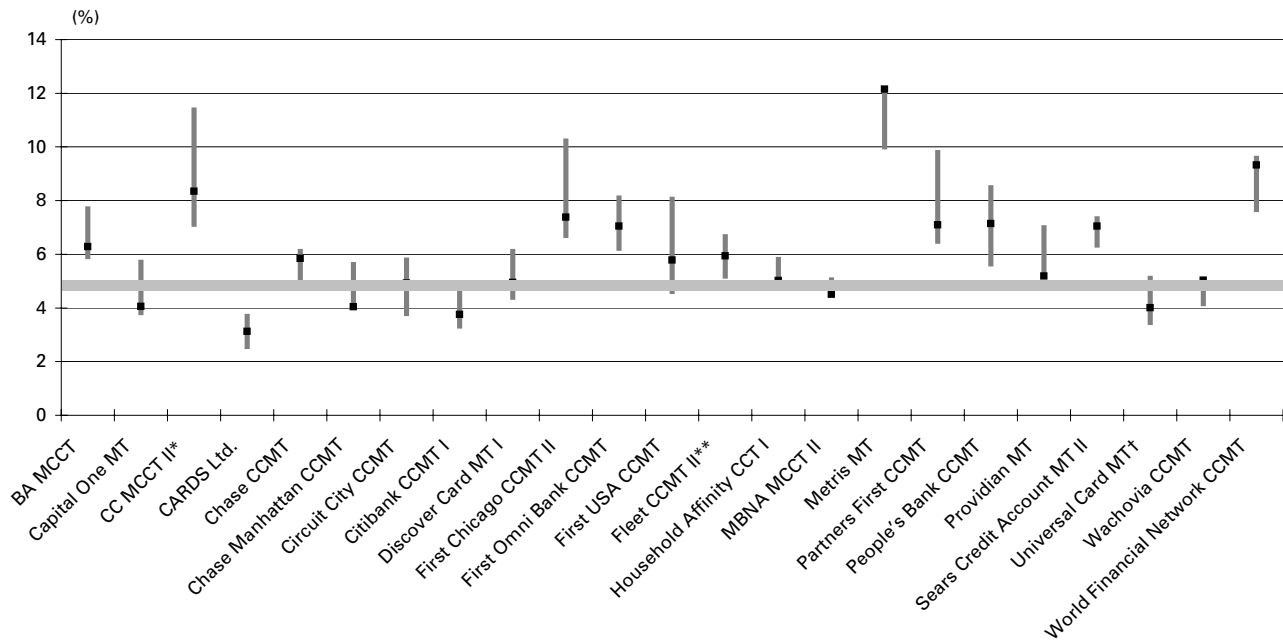
	Class A	Class B
Household CCNT Trust I, Series 2000-1		
Amount (\$ Mil.)	1,013.33	96.67
Coupon (%)	1mL + 0.14	1mL + 0.40
C/E (%)	17.25	10.00
Payout	Soft Bullet	Soft Bullet
Expected Maturity	November 2005	November 2005
WAL (Years)	Five	Five
Rating	'AAA'	'A+'
MBNA MCCT II, Series 2000-K		
Amount (\$ Mil.)	637.50	56.25
Coupon (%)	3mL + 0.110	3mL + 0.375
C/E (%)	15.0	7.5
Payout	Soft Bullet	Soft Bullet
Expected Maturity	October 2005	October 2005
WAL (Years)	Five	Five
Rating	'AAA'	'A+'
Provident MT, Series 2000-3		
Amount (\$ Mil.)	544.25	71.75
Coupon (%)	1mL + 0.12	1mL + 0.45
C/E (%)	22.25	12.00
Payout	Soft Bullet	Soft Bullet
Expected Maturity	November 2003	January 2004
WAL (Years)	Three	Three
Rating	'AAA'	'A'
Sears Credit Account MT II, Series 2000-3		
Amount (\$ Mil.)	600.0	49.0
Coupon (%)	1mL + 0.16	1mL + 0.38
C/E (%)	21.5	14.0
Payout	Soft Bullet	Soft Bullet
Expected Maturity	October 2004	November 2004
WAL (Years)	Four	Four
Rating	'AAA'	'AA'
Sears Credit Account MT II, Series 2000-4		
Amount (\$ Mil.)	400.0	32.7
Coupon (%)	1mL + 0.25	1mL + 0.53
C/E (%)	21.5	14.0
Payout	Soft Bullet	Soft Bullet
Expected Maturity	October 2007	November 2007
WAL (Years)	Seven	Seven
Rating	'AAA'	'AA'

1mL – One-month London Interbank Offered Rate (LIBOR).
C/E – Credit enhancement. WAL – Weighted average life.
3mL – Three-month LIBOR.

Fitch Credit Card Performance Indexes

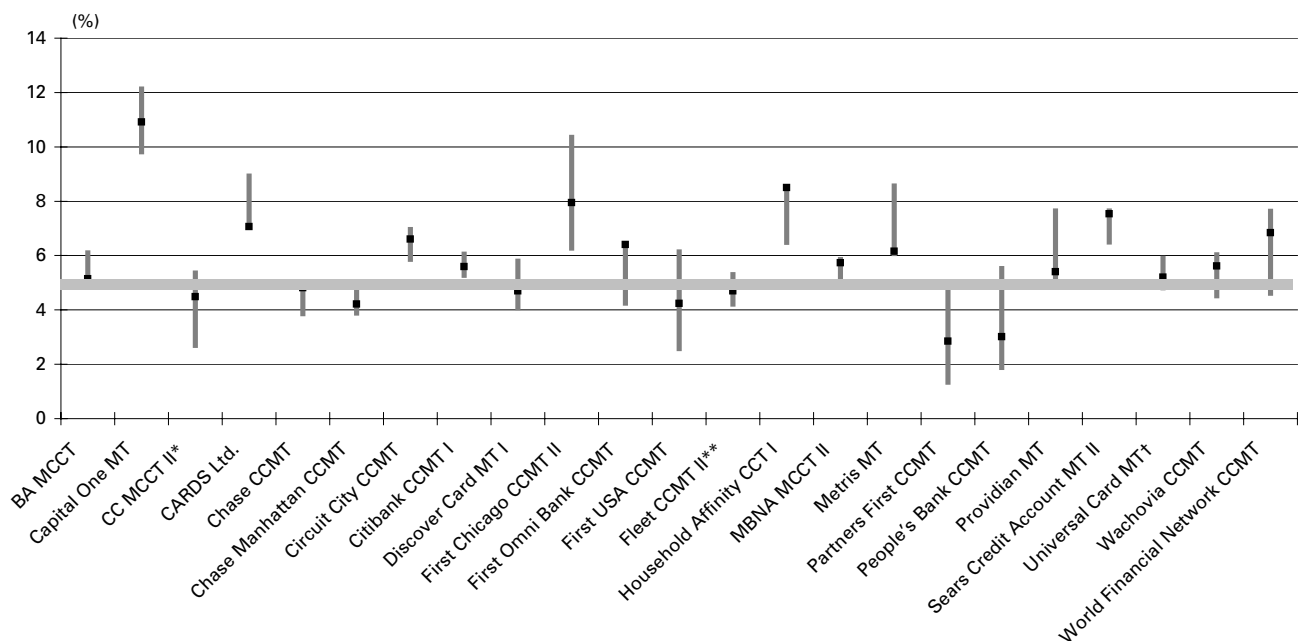


Chargeoffs



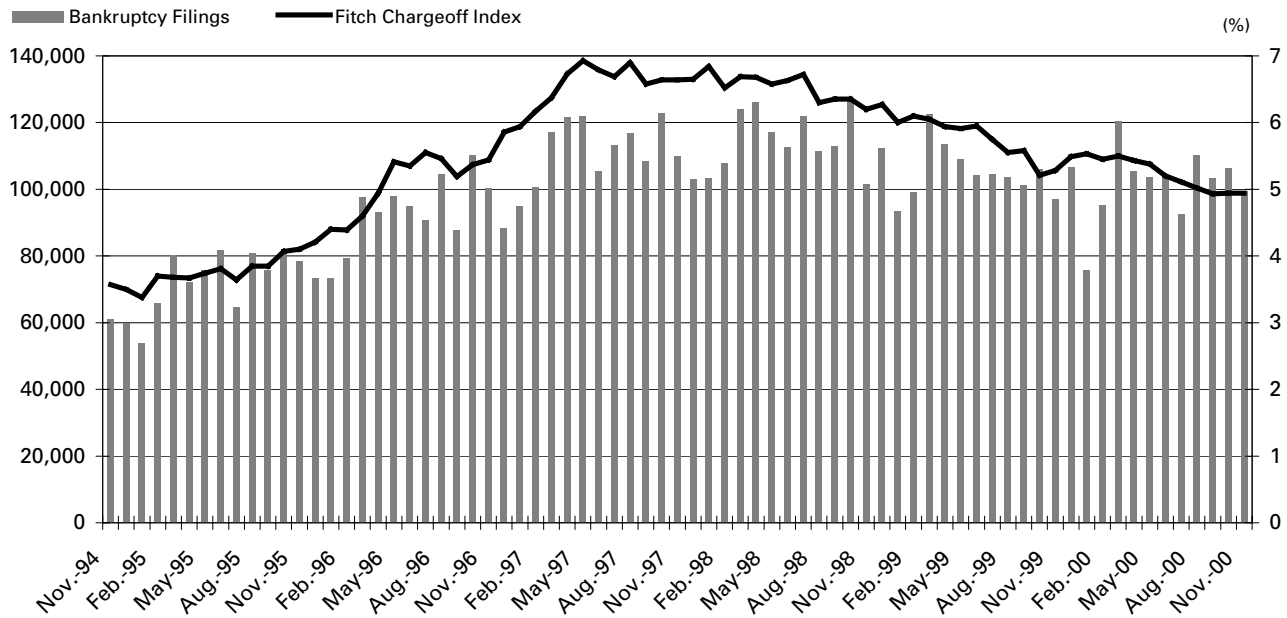
■ = Fitch Index: 5.20%. *Formerly Chevy Chase MCCTII. **Formerly Advanta CCMT II. †Formerly AT&T Universal. Note: Graph shows chargeoffs for the October collection period and the range over the past 12 months.

Excess Spread



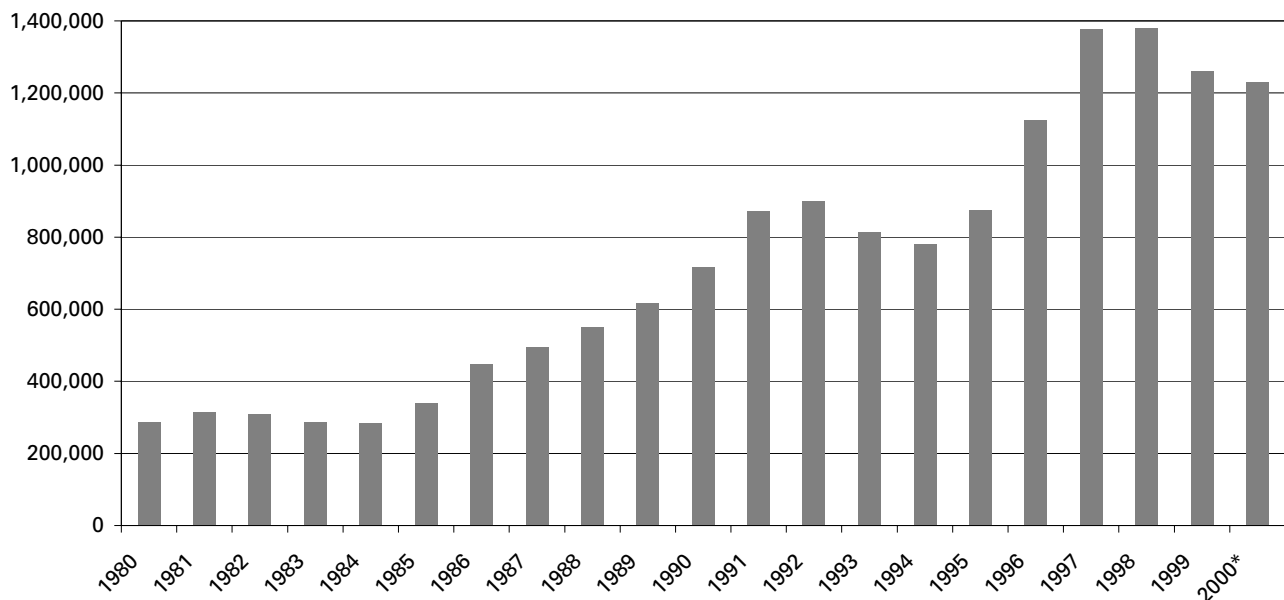
■ = Fitch Index: 5.50 *Formerly Chevy Chase MCCTII. **Formerly Advanta CCMT II. †Formerly AT&T Universal. Note: Graph shows the lowest three-month excess spread for the October collection period and the given series range over the past 12 months.

Monthly Bankruptcy Filings



Source: Visa.

Annual Bankruptcy Filings



*Fitch projection. Source: Visa.

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